

## Message Text

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PAGE 01 BONN 12334 301734Z

60

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /107 W

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R 301722Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1815

INFO USMISSION OECD PARIS

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

UNCLAS BONN 12334

DEPARTMENT PLEASE PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. THE TRADITIONAL LIBERAL POLICY AND ATTITUDE OF THE FRG TOWARD FOREIGN INVESTMENT PRESERVES A FAVORABLE CLIMATE FOR INVESTORS FROM ABROAD. AT THE END OF 1974 THE CUMULATIVE TOTAL OF FOREIGN INVESTMENT IN THE FRG WAS DM 39.9 BILLION OF WHICH THE US TOTAL EQUALED DM 16.5 OR 41.4 PERCENT FOLLOWED BY SWITZERLAND AT 15.4 PERCENT, THE NETHERLANDS AT 12.8 PERCENT, AND GREAT BRITAIN AT 10 PERCENT.

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PAGE 02 BONN 12334 301734Z

2. THERE ARE NO RESTRICTIONS ON OR LICENSING REQUIREMENTS FOR INVESTMENT FROM ABROAD. FOREIGN AND DOMESTIC INVESTORS GENERALLY ENJOY EQUAL TREATMENT AND NO DISTINCTIONS ARE MADE BETWEEN FOREIGN INVESTMENT IN EXISTING DOMESTIC FIRMS AND THE ESTABLISHMENT OF NEW FIRMS BY NON-RESIDENTS. FOREIGN INVESTORS QUALIFY FOR THE VARIOUS SPECIAL INCENTIVES OFFERED BY THE FEDERAL GOVERNMENT AND THE LAENDER GOVERNMENTS. SUCH PROGRAMS ARE AVAILABLE FOR APPROVED INVESTMENTS IN MANPOWER, TECHNOLOGY AND INFRASTRUCTURE DEVELOPMENTS. CITIES AND LOCAL COMMUNITIES ALSO ON OCCASION HAVE OFFERED OR NEGOTIATED SPECIAL INCENTIVES IN EFFORTS TO GET PARTICULAR INDUSTRIES TO LOCATE IN THEIR AREAS. THESE INCENTIVES INCLUDE TAX BREAKS, LOW INTEREST LOANS, FREE OR SUBSIDIZED REAL ESTATE, DIRECT SUBSIDIES FOR CAPITAL EQUIPMENT LAND AND ROAD DEVELOPMENT ETC. INVESTORS IN WEST BERLIN QUALIFY FOR ADDITIONAL BENEFITS INCLUDING REFUND OF CERTAIN TURNOVER TAXES, REDUCED INCOME TAXES, FAVORABLE DEPRECIATION ALLOWANCES AND RISK GUARANTEES.

3. COMPANIES PLANNING TO EXPORT FROM THE FRG CAN EXPECT REFUND OF THE VALUE ADDED TAX WHICH THEY PAY FOR INTERMEDIATE INPUTS, AS WELL AS EXEMPTION FROM THIS TAX ON EXPORT SALES. FIRMS MAY ALSO BE ALLOWED TO FORM EXPORT CARTELS FREE FROM THE ACTION UNDER THE FRG-ANTI-TRUST LAWS, IF THE SOLE PURPOSE OF THE CARTEL IS TO PROMOTE EXPORTS.

4. THE FRG'S CAPITAL CONTROL PROGRAM HAS BEEN LARGELY DISMANTLED DURING THE PAST YEAR AND A HALF AND THE FEW RESTRICTIVE MEASURES REMAINING ON CAPITAL INFLOWS (E.G. LICENSING FOR FOREIGN PURCHASE OF FIXED INTEREST SECURITIES WITH UNDER FOUR-YEAR MATURITY, PURCHASES BY NON-RESIDENTS FROM RESIDENTS OF DOMESTIC DM DENOMINATED TREASURY BILLS, AND PAYMENTS OF INTEREST ON NON-RESIDENT DEPOSITS HELD WITH GERMAN BANKS) DO NOT AFFECT DIRECT INVESTMENTS.

5. PROSPECTS FOR SIZABLE INVESTMENTS IN THE FRG HAVE IN COMPARISON TO THE SITUATION SEVERAL YEARS AGO LOST UNCLASSIFIED

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PAGE 03 BONN 12334 301734Z

CONSIDERABLE LUSTER BECAUSE OF INCREASED LABOR AND SOCIAL COSTS, THE SLUGGISH DOMESTIC ECONOMY AND THE HIGHER VALUATION OF THE DEUTSCHEMARK. THESE FACTORS HAVE SIGNIFICANTLY AFFECTED US INVESTMENTS IN GERMANY AS ILLUSTRATED BY RECENT DATA THAT SHOW US INVESTMENT IN THE FRG DURING 1974, AS A PERCENTAGE OF TOTAL INCOMING INVESTMENT DURING THE YEAR, TO BE THE SMALLEST (28.1 PERCENT) SINCE THE WAR. THIS REPRESENTS

A STEEP DECLINE FROM THE 49.3 PERCENT SHARE RECORDED IN  
1971.  
HILLENBRAND

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition History:** n/a  
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